

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 /019 W
-----201222Z 016801 /11

P 201130Z MAR 77
FM AMEMBASSY TEHRAN
TO USDOC PRIORITY
HUD WASHDC PRIORITY
SECSTATE WASHDC 1703

UNCLAS SECTION 1 OF 2 TEHRAN 2461

USDOC FOR CAGNE

HUD FOR OFFICE OF INTERNATIONAL AFFAIRS/ANDREWS

E.O. 11652: N/A
TAGS: USIRJC ECRE
SUBJ: MAJOR PROJECT: IMPERIAL GUARD HOUSING PROJECT

REF USDOC 04179

1. SUMMARY: AWARD PROCESS IS VIRTUALLY COMPLETE FOR 7,500 UNIT IMPERIAL GUARD HOUSING PROJECT (INCLUDING HOUSING FOR ALL OFFICER AND NON-OFFICER CATEGORIES OF PERSONNEL) AT ESTIMATED TOTAL CONTRACT AWARDS OF \$300 MILLION. ONE AMERICAN FIRM AND ONE FINNISH GROUP HAVE SIGNED CONTRACTS AND SECOND AMERICAN FIRM HAS LETTER OF INTENT CALLING FOR COMPLETION OF CONTRACT NEGOTIATIONS WITHIN SIXTY DAYS FOR BALANCE OF PROJECT. END SUMMARY.

2. FIVE GROUPS SUBMITTED BIDS BY CLOSING DEADLINE OF FEBRUARY 1 TO INVITATIONAL TENDER ISSUED BY MINHOUSING AS MANAGERS FOR IMPERIAL GUARD-OWNED AND FUNDED PROJECT SITUATED IN FOUR DIFFERENT LOCATIONS IN OR ADJACENT TO CITY LIMITS OF TEHRAN. JAPANESE BID WAS REJECTED IMMEDIATELY ON GROUNDS OF COST. FRENCH CONSORTIUM BID WAS ULTIMATELY REJECTED ON BASIS OF UNCLASSIFIED

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COST/QUALITY RATIO. BLOUNT BROTHERS REP WAS TOLD MARCH 7 THAT HIS FIRM WOULD BE AWARDED 2,040 UNITS IN PARANDAK LOCATION (SEGMENT ON WHICH FIRM HAD BID ON BASIS OF 4-5 STORY CONVENTIONAL CONSTRUCTION). FINNISH GROUP WAS OFFERED APPROXIMATELY 3,000 UNITS AND BOTH CONTRACTS SIGNED MARCH 15-16: BLOUNT FOR APPROXIMATELY \$80 MILLION; FINNS APPROXIMATELY \$130 MILLION. DILLON WAS TOLD THAT HIS PROPOSAL WAS TOO

HIGH BUT BECAUSE OF ATTRACTIVENESS OF SYSTEM AND PROPOSAL
WOULD BE PERMITTED TO REBID. RESUBMISSION MADE MARCH 14.

3. DILLON'S ORIGINAL BID CONTAINED NUMBER OF EXTRA FEATURES
NOT INCLUDED IN OTHER BIDS AND SCALING DOWN OF PROPOSAL
AFTER DISCUSSION WITH IRANIAN CONSULTING ARCHITECT RETAINED
BY MINISTRY ENABLED DILLON TO REDUCE PRICE AS REQUESTED.
ALTHOUGH IRANIAN CONSULTANT HAD IN TURN RETAINED BRITISH
ARCHITECTURAL CONSULTANTS WHOSE REPORT IS THOUGHT TO CITE
NUMEROUS ADVANTAGES AND PLUS FACTORS IN DILLON BID, INCLUDING
PHASED TURNOVER OF COMPLETED UNITS POSSIBLE UNDER MODULAR
BUILDING CONCEPT, THIS REPORT WAS INITIALLY IGNORED BY AWARDS
COMMITTEE IN FAVOR OF BOTTOM LINE INSTANT ANALYSIS.

4. LACK OF CAREFUL ATTENTION TO REPORT PROBABLY DUE IN PART
TO MINISTRY HASTE INSPIRED BY DESIRE TO COMPLETE CONTRACT
SIGNING BY THE END OF THE IRANIAN YEAR (MARCH 20). MINISTRY,
HOWEVER, WAS UNABLE TO COMPLETE FINAL NEGOTIATIONS PRIOR
TO UNDERSECRETARY SIMONIAN'S DEPARTURE MARCH 16 FOR THREE-
WEEK TRIP TO JAPAN AND ELSEWHERE. AS HOLDING MEASURE, DILLON
WAS ISSUED LETTER OF INTENT CALLING FOR NEGOTIATIONS TO BE
COMPLETED WITHIN SIXTY DAYS FOR BALANCE OF 2,500 UNITS (RESUB-
MITTED BID APPROXIMATELY \$90 MILLION).

5. WITH REFERENCE TO ACTION REQUESTED OF EMBASSY (PARA 3
REFTEL), AS MR. HOFFMAN IS AWARE, EMBASSY RESPONDED IN WRITING
TO MINISTRY REQUEST TO COUNTRIES WHOSE JOINT COMMISSION
PROTOCOLS MENTIONED HOUSING FOR NAME OF COMPANY WITH INDUSTRIAL-
IZED HOUSING CAPABILITY UP TO SIXTEEN STORIES BY FAVORABLE
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MENTION OF DILLON (AUGUST 1976-CONVENTIONAL CONSTRUCTION
COMPANIES' NAMES WERE NOT SOUGHT AT THAT TIME). IN FIRST WEEK
FEBRUARY 1977, FOLLOWING SUBMISSION OF CHARGE SIGNED
LETTERS TO MINISTER OF HOUSING, WITH COPY TO SIMONIAN, AND TO
MINISTER ECONOMIC AFFAIRS ANSARY, IN HIS CAPACITY AS CO-
CHAIRMAN OF THE IRAN-US JOINT COMMISSION, ON BEHALF OF DILLON
AND BLOUNT. ADDITIONALLY, THIS PROJECT HAS BEEN DISCUSSED
INFORMALLY WITH SEVERAL HOUSING OFFICIALS SINCE FEBRUARY 1.

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ACTION NEA-10

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6. COMMENT: MINISTRY HOUSING HAS LONG BEEN INTERESTED IN FINDING VEHICLE FOR INTRODUCING DILLON SYSTEM TO IRAN BUT HAS NOT BEEN ABLE TO FUND APPROPRIATE MINISTRY VEHICLE. IMPERIAL GUARD TENDER PROVIDES MINISTRY WITH OPPORTUNITY TO INTRODUCE SYSTEM AT EXPENSE OF ANOTHER QUARTER OF THE GOVERNMENT AND WE ASSUME THAT THE LETTER OF INTENT WILL LEAD TO A FINAL CONTRACT SHORTLY AFATER NOW-RUZ HOLIDAYS, ALTHOUGH THE TERMS AND THE LOCATION AWAREDED AMONG THE FOUR POSSIBILITIES MAY NOT BE AS ADVANTAGEOUS AS DILLON HAD ORIGINALLY HOPED. AT ONE POINT TOTAL PROJECT HAD BEEN MENTIONED AT \$600 MILLION. \$300 MILLION AWARD COST PRESUMABLY REPRESENTS COMBINATION OF REDUCTION OF BIDS AND ADDITIONAL COSTS FOR INFRASTRUCTURE DEVELOPMENT AND RELATED ITEMS NOT INCLUDED IN PRESENT CONTRACTS WHICH ARE APPARENTLY STRICTLY FOR HOUSING SYSTEMS.

7. NOTE: THIS PROJECT HAS NOT BEEN REPORTED PIECEMEAL AS IT WAS THE SUBJECT OF DISCUSSION DURING AUGUST VISIT OF MR. ANDREWS AND THE HOUSING WORKING GROUP AND MR. HOLFMAN, WHO IS A MEMBER OF THE HOUSING WORKING GROUP, HAS BEEN IN CLOSE AND FREQUENT CONTACT WITH THE EMBASSY AND IN WASHINGTON ON THIS PROJECT.

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Message Attributes

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Disposition Approved on Date:
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